

Message Text

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46

ACTION NEA-12

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 NSC-10 SS-15

STR-08 CEA-02 L-03 H-02 DODE-00 PA-03 USIA-12 PRS-01

GSA-01 INT-08 RSR-01 /183 W
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R 171045 Z MAY 73

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 9518

INFO AMEMBASSY NEW DELHI

AMEMBASSY ISLAMABAD

AMEMBASSY TOKYO

AMCONSUL HONG KONG

LIMITED OFFICIAL USE COLOMBO 1253

E. O. 11652: N/ A

TAGS: ECON, EFIN, CE

SUBJ: INDIA- SRI LANKA DISCUSSIONS OUTLINE ECONOMIC COOPERATION
PROGRAM

REF: COLOMBO 1108

1. INDIAN GOVT OFFICIALS LED BY B. K. SANYAL, ADDITIONAL
SECRETARY INDIAN MEA ON MAY 12 CONCLUDED THREE DAYS OF
CONSULTATIONS IN COLOMBO WITH GSL CONCERNING ESTABLISHMENT OF
JOINT ECONOMIC VENTURES AND REDUCTION OF SRI LANKAS ADVERSE
TRADE BALANCE ON INDIAN ACCOUNT. PRESS REPORTS INDIA PREPARED TO
OFFER TECHNOLOGICAL ASSISTANCE IN DEVELOPMENT OF SRI LANKA
PRODUCTION OF SHEET GLASS, MICA, RUBBER- BASED GOODS , GRAPHITE,
AND REFRACTORIES. INDIA ALSO PREPARED TO PURCHASE ENTIRE
EXCESS PRODUCTION OF GRAPHITE AND RUBBER AND INCREASE AMOUNTS
OF COPRA AND SPICES AND HAS PROMISED EARLY REMOVAL OF
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RESTRICTIONS ON IMPORTATION OF OTHER SRI LANKA PRODUCTS IN ORDER TO REDUCE LARGE AND STILL WIDENING TRADE GAP FROM CURRENT SRI LANKA DEFICIT OF RS 1 00 MILLION DOWN TO SRI LANKA RS 67-75 MILLION. CLOSER GOVT- TO- GOVT COOPERATION REPORTEDLY PLEDGED

BY GSL AND GOI ON DEVELOPMENT SRI LANKA SMALL INDUSTRIES, WITH GOI PROVIDING RESEARCH FACILITIES, MANAGEMENT TRAINING, AND MARKETING ADVICE. COOPERATION ON ESTABLISHMENT OF ELECTRIC POWER GRID AND MICROWAVE COMMUNICATION SYSTEM ACROSS PALK STRAITS ALSO PROMISED. INDIAN OFFICIALS INFORMED EMBOFF THAT CONVERSATIONS BETWEEN GOI AND GSL PROCEEDED EXCEPTIONALLY SMOOTHLY.

2. COMMENT: DISCUSSIONS FOLLOW CLOSELY AREAS DESIGNATED IN 1972 GOI AND GSL TALKS ON JOINT ECONOMIC PROJECTS. FOR SRI LANKA, WITH WIDESPREAD ECONOMIC DIFFICULTIES, A PARTICULARLY SEVERE TRADE DEFICIT WITH INDIA, SLOW GROWTH OF NON- TRADITIONAL EXPORTS, AND CURRENT LARGE- SCALE COMMITMENT TO PUBLIC SECTOR DEVELOPMENT, DISCUSSIONS PROMISE ECONOMIC DEVELOPMENT ALONG LINES CONGENIAL TO BANDARANAIKE MINISTRY. GRAPHITE AND RUBBER PRODUCTION IS APPRENTLY CHIEF CONCERN. SRI LANKA RUBBER PRODUCTION AND TIRE MANUFACTURE HAVE BEEN AFFECTED BY LOW RE- INVESTMENT IN RUBBER PLANTATIONS, LOW PRODUCTIVITY LEVELS IN TIRE MANUFACTURE, SLOWLY DETERIORATING QUALITY STANDARDS IN BLOCK RUBBER PRODUCTION, DISAPPOINTING RETURNS FROM LONGSTANDING SRI LANKA- PRC BARTER AGREEMENT, AND FEAR OF DEPRESSED PRICES IN WAKE OF US STOCKPILE SALES. RECENT PRC PLEDGE TO GRANT SRI LANKA RUBBER PREFERENTIAL TREATMENT DILUTED BY CURRENT DIFFICULTIES IN MEETING QUANTITY AND QUALITY OBJECTIVES. GRAPHITE SALES FEATURED PROMINENTLY IN AUGUST 1972 GOI AND GSL DISCUSSIONS. NATIONALIZATION OF LAST OF SRI LANKAS THREE MAJOR GRAPHITE MINES IN APRIL 1972 WAS FOLLOWED BY DROP IN TOTAL GRAPHITE PRODUCTION FROM 7,632 LONG TONS (1971) TO 6,059 LONG TONS (1972), OF WHICH USA PURCHASED 26 PERCENT IN 1971 AND 36 PERCENT IN 1972. GSL BELIEVES PRICES WILL REMAIN FIRM DESPITE US STOCKPILE REDUCTION BUT IS CONCERNED ABOUT PRODUCTION DECLINE.

3. COMMENT ON POLITICAL ASPECTS FOLLOWS SEPTTEL.
VAN HOLLEN

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*** Current Classification *** LIMITED OFFICIAL USE

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